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*Effect of the Air War* S-2458 8 Sept 67  
PROGRESS OF THE WAR IN VIETNAM

North Vietnam

1. The bombing is extracting a high price from the North Vietnamese for their support of the insurgency in the South and is a daily reminder to them that a decade of hard-won economic progress -- in industry, transportation, mining, and agriculture -- has been undone by Hanoi's intransigency. The cumulative effects of the bombing is causing numerous management and logistical problems. ~~The movement is causing numerous management and logistical problems.~~ The movement of men and supplies to the South is more difficult and time consuming, and a substantial volume of war-supporting material is destroyed in transit.
2. Widespread physical damage has resulted from <sup>over</sup> almost 300,00 sorties that have been flown over North Vietnam. Almost one-third of a billion dollars of damage has occurred to economic and military targets. There have been large, unmeasurable, indirect losses to both industrial and agricultural output.

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3. Over 650 significant highway and railroad bridges and at least 50 major railroad yards have been seriously damaged. Transshipment areas, and supply areas also have been heavily damaged. Nearly 4,000 trucks and nearly 2,000 railroad cars have been destroyed. Concentrated simultaneous attacks against northern railroad lines, especially since late June, have seriously disrupted the movement of rail traffic from the China border to Hanoi and the port of Haiphong to Hanoi.

4. Large-scale modern industry is at a standstill because of bomb damage, shortages of electric power, and lack of raw materials. North Vietnam's showplace industry, the Thai Nguyen Steel Plant, ~~has~~ has ceased production because of bomb damage. The cement plant in Haiphong, a major war-supporting facility, has been heavily damaged and is not operating. About 80 percent of the central electrical generating capacity is out of operation with no likelihood that the damaged powerplants can be restored for many months and even years.

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Fertilizer, chemical, and paper production -- even large-scale textile production -- has ceased or been greatly curtailed. Air attacks have destroyed more than 85 percent of North Vietnam's bulk petroleum storage capacity.

5. Attacks against military targets have greatly disrupted normal military activities and caused the complete abandonment of many facilities. Over 80 MIG aircraft has been lost to US pilots since the start of the bombing. Over 630 attacks have been made against SAM installations. Radar sites, and ammunition storage areas have been subjected to hundreds of successful attacks.

6. The air war has forced Hanoi to divert 500,000 to 700,000 civilians to full- and part-time work repairing lines of communication. The manpower drain has affected North Vietnam's war-supporting output, agricultural output, even the output of some daily necessities.

The need for experienced managerial cadres in the North competes with North Vietnam's pressing need for aggressive cadres to lead the war in the South.

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7. Food production declined in 1966 and in 1967, <sup>in part</sup> ~~indirectly~~ because of the bombing. Large imports of food are required and an increasing proportion of less palatable foods now substitute for rice. Many consumer goods are scarce and the price is often beyond the reach of the average consumer.
8. North Vietnam's annual trade deficit which averaged about \$35 million during 1962-64, increased greatly to \$158 million in 1966. The North Vietnamese are becoming more and more dependent for their existence on economic and military aid from other Communist countries.
9. The evacuation of both essential and non-essential persons from large urban areas reduces productivity, impairs public morale, and adds the burden of housing and feeding tens of thousands of displaced persons. The low level of civilian casualties is a reminder to the North Vietnamese that US attacks are directed against the Hanoi regime and not the civilian population and that the US retains the power to further escalate the war at will.

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~~SECRET/NO FORN DISSEM~~South VietnamRepublic of Vietnam

1. Despite the heavy burden imposed by the war on the South Vietnamese economy, there are signs of economic progress. Price increases are being held down to manageable proportions. Inflationary pressures are much less serious than in Korea during the Korean War.
2. Rice farmers in South Vietnam are now receiving a higher return for their product than they did in 1966, and there is evidence, especially in pacified areas, that farmers are able to buy increasing amounts of consumer goods such as bicycles and sewing machines. The South Vietnamese government is providing more credit to farmers through the new Agricultural Development Bank established in May.
3. Progress has also occurred in tax collection and in maintaining relative quiet on the labor front. Domestic tax revenues in 1966 were 67 percent higher than in 1965 and in the first quarter of 1967 were running almost 50 percent ahead of the corresponding period of 1966. Despite constant pressure for wage increases, the economy has not been crippled

by serious strikes.

4. Despite heavy fighting in northern areas work is continuing on the industrial complex at An Hoa near Danang, which will generate electric power and use local anthracite to produce fertilizers and chemicals. The huge port complex at Cam Ranh Bay will provide an impetus for future development in central Vietnam.

#### The Insurgents

5. Allied air forces have flown almost 400,000 attack sorties against the enemy in South Vietnam. In 1967 almost 600 attack sorties against the enemy have been flown daily.

6. About 80 percent of all attack sorties have supplied close or direct air support to ground forces. During the last 18 months pilots have reported over 22,000 Communist casualties from air strikes, almost one-fourth as many as the KIA figure compiled from body count.

7. Over 200,000 structures have been destroyed and an additional 130,000 damaged by air attack.

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8. The ability of the Viet Cong to recruit, even in the heavily populated delta area, is being impaired by the increased presence of Allied troops, by increasing hardships for the Viet Cong and by a lessening of confidence in victory. The physical exodus of large numbers from Viet Cong-controlled areas has meant an absolute decline in manpower available for recruiting.

9. Food shortages have become a serious problem particularly in ~~the~~ *the northern and highland areas.* ~~and II Corps and the upland regions of III Corps.~~ Even in some <sup>delta</sup> areas of IV Corps reports indicate that the Viet Cong are hard pressed to collect food. ~~In some areas~~ Considerable military manpower has been diverted to agricultural production and to the collection of food from the peasants.

10. Declining tax revenues are becoming more apparent. Rapidly increasing expenditures to support larger forces together with a reduced tax base has required higher tax rates making collection more difficult. In some areas local Viet Cong units have had to resort increasingly to terrorism and intimidation to collect revenue.

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